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STATEMENT

BY

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BEFORE THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

AUGUST 26, 2004

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INTRODUCTION

Madame Chairman, members of the committee, I appreciate the opportunity to discuss with you the subject of strengthening the Intelligence Community and to reflect on the recommendations made by the 9/11 Commission toward that end.

As members know, the President has reached a number of decisions that should improve the capabilities of the Intelligence Community:

- Establishment of a National Intelligence Director (NID).
- Creation of a National Counterterrorism Center (NCTC).
- Issuance of a number of Executive Orders that will implement other recommendations of the Commission, such as reform of the Intelligence Community's information sharing.

In addition, the President has called for substantial reform of Congressional oversight.

The way Congress decides to conduct its oversight certainly impacts the way the Executive Branch does its business. If we are to become more agile and flexible in fighting the war on terrorism and rapidly adjusting to meet new circumstances, the Congress will likely need to adjust its practices.

The President will continue to listen to the debate on the subject of intelligence reform. He will continue to take the counsel of a broad range of experts, including those who have written and/or testified before you and other Committees, on this important subject as he considers additional details relative to his proposals and frames new initiatives.

While the President deliberates, I am certain the Committee will understand that my comments today should not be construed to represent the Administration's position.

INTELLIGENCE PROGRAM AND BUDGET PROCESS

You have asked that I address the intelligence budget process within the

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Department of Defense with respect to formulating and executing the National Foreign Intelligence Program (NFIP), Joint Military Intelligence Program (JMIP) and Tactical Intelligence And Related Activities (TIARA). The formulation of the budget is a shared process between the Secretary of Defense and the Director of Central Intelligence (DCI) with many checks and balances built in.

Title 50, the National Security Act, states “The Director of Central Intelligence shall provide guidance to elements of the intelligence community for the preparation of their annual budgets and shall approve such budgets before their incorporation in the National Foreign Intelligence Program”.

Title 50 also requires that “The Secretary of Defense, in consultation with the Director of Central Intelligence, shall:

- ensure that the budgets of the elements of the intelligence community within the Department of Defense are adequate to satisfy the overall intelligence needs of the Department of Defense, including the needs of the Chairman of the Joint Chiefs of Staff and the commanders of the unified and specified commands and, wherever such elements are performing government wide functions, the needs of other departments and agencies;
- ensure appropriate implementation of the policies and resource decisions of the Director of Central Intelligence by elements of the Department of Defense within the National Foreign Intelligence Program;
- ensure that the tactical intelligence activities of the Department of Defense complement and are compatible with intelligence activities under the National Foreign Intelligence Program;
- ensure that the elements of the intelligence community within the Department of Defense are responsive and timely with respect to satisfying the needs of operational military forces;
- eliminate waste and unnecessary duplication among the intelligence activities of the Department of Defense; and ...”

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So in law we have our first set of checks and balances with the DCI issuing guidance for the NFIP and the Secretary of Defense ensuring that those resource decisions are carried out; and, ensuring the JMIP and TIARA programs are complementary to the NFIP.

➤ **U.S. Intelligence Definitions** – today’s landscape

- Initiatives, activities, and programs that predominantly provide intelligence information and support:

- NFIP – to customers across multiple government agencies and departments
- JMIP – to multiple Defense customers
- TIARA – to one Service

➤ **Guidance:** A program build – or the first step in the Department’s Planning Programming, Budgeting and Execution (PPBE) process -- begins with the issuance of guidance, both planning and fiscal.

- In the DoD, the Strategic Planning Guidance, or SPG, conveys the Department’s statement of policy and strategy to the components of DoD. Guidance to the Services and Agencies relevant to the NFIP, JMIP and TIARA is included within the SPG.
- Fiscal guidance, or a program’s total budget authority, is issued by the Secretary to the DCI for the NFIP, who in turn apportions it to each of the NFIP programs. This fiscal guidance is normally a continuation of the previous year’s President’s Budget Program of Record. Changes may be made between the two years if there is a directed change from OMB or the President or “fact of life” changes occur such as changes in economic factors or military or civilian pay increases.
- No separate fiscal guidance is issued for JMIP or TIARA as it is embedded in the overall fiscal guidance provided to the Services and Agencies.

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- **Program Formulation:** The Defense Agencies and Services develop and submit to the OSD staff their proposed programs consistent with the SPG, established fiscal guidance, and any additional guidance the Secretary might issue. The OSD staff then conducts a program and budget review. Issues are formulated and teams are put together to research, analyze and frame them for decision makers. Issues requiring senior decisions are developed through a series of meetings held at the three star level. They are referred to the Secretary for review by his Senior Leader Review Group (SLRG), which consists of the Service Secretaries and Chiefs, the Under Secretaries of Defense and other senior advisors. The Secretary's decisions are documented in various formats such as Program Decision Memoranda (PDM) and Program Budget Decisions (PBDs)
 - The Under Secretary of Defense (Intelligence) coordinates PPBE activities related to intelligence functions:
 - TIARA and JMIP programs are submitted as part of their parent Service/Agency submit and presented to OUSD/I chaired program/budget reviews which include all the relevant DoD components as well as CMS and OMB.
 - At the same time, my office participates in the DCI's NFIP program/budget reviews. Decisions are made by the USD/I and the DDCI/CM or elevated to the DCI and the Secretary of Defense and then documented in various formats such as Intelligence Program Decision Memoranda (IPDM) and Intelligence Program Budget Decisions (IPBDs)
 - The purpose of the Intelligence Program and Budget review process is to provide an open forum for OUSD(I) and DDCI/CM collaboration with affected departments and agencies to ensure US intelligence programs and activities meet validated requirements, eliminate waste and unnecessary redundancy, and optimize intelligence resources. This is one of the ways the Secretary of Defense carries out his Title 50 assigned responsibilities.

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- **Budget Submission:** Before the budget is actually submitted, OMB conducts final reviews and gives any additional guidance known as “passback”. The passback for intelligence is combined for NFIP, JMIP and TIARA, another check to ensure there is a balanced U.S. Intelligence enterprise, and sent to both the Secretary of Defense and the DCI. That guidance is incorporated, the database is balanced and “locked”, budget books are written, and the president submits the final budget on the first Tuesday in February. I make that sound so easy, it is actually several months of many long hours by dedicated staffs to make this all come to fruition.
- **Budget Hearings:** Once the budget is submitted, the Congressional staffs are briefed and then any number of hearings are held to review and debate what the executive branch has submitted. Because the NFIP, JMIP and TIARA programs are complementary, budget marks in one program often have effects in another. Appeals back to the Congress are coordinated between the DoD and the DCI with OMB approval.
- **Budget Appropriations.** The budget is appropriated to the Department of Defense in over 75 appropriations such as: Army Procurement, Air Force Research and Development or Defense-wide Operations and Maintenance.
- **Budget Execution:** The Military Departments and other Components execute the enacted appropriations. The Services and Agencies execute their programs. The OSD comptroller conducts budget execution reviews for all programs in the Department to include JMIP and TIARA. OUSD/I also conducts execution reviews on selected JMIP and TIARA programs. These are conducted with CMS participating. Additionally, CMS conducts reviews of the NFIP and OUSD/I participates.
- **Program Oversight:** In addition to budget execution reviews, OUSD/I conducts continuous program oversight to ensure programs are in accordance with Defense and Congressional guidance and are meeting the Secretary’s priorities and the needs of the warfighter.

I have been asked about the Commission’s recommendation concerning the establishment of an NID with budget authority, including how implementation of the recommendation would impact the ability of the Defense Department to carry

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out its critical missions. I have said in previous testimony that the NID should have the responsibilities and authorities of the DCI to develop the National Intelligence Program.

MOVING WITH DELIBERATE SPEED

In pursuit of strengthening our nation's intelligence capabilities, I would offer a cautionary note. It is important that we move with all deliberate speed; however, moving too quickly risks enormous error. And we are considering these important matters while waging a war.

National security is not easily achieved in this new century. If we move too unwisely and get it wrong, the penalty will be great. The National Security Act of 1947 established the DoD. By 1958 it had undergone no fewer than 4 major statutory or organizational changes. Another round of major change was inaugurated with the Goldwater-Nichols Act in 1986. We shouldn't think intelligence reform will be completed at a stroke, either.

Intelligence is expensive. The Intelligence Community suffered substantial reductions in its budget in the last decade. Those reductions were made on the theory that, with the end of the Cold War, U.S. reliance on intelligence for security would not be as substantial as it had been. Events have proven otherwise. It was a mistake, and we paid the penalty.

It was with that in mind that the President developed his "Strengthening Intelligence Initiative." It seeks to increase the number of HUMINT operators, linguists and analysts and provide them with needed infrastructure support. The first increment of funding for the initiative was included in the FY05 budget recently enacted by Congress. Between now and 2009, that initiative seeks to add thousands of personnel to the Intelligence Community. They are needed.

George Tenet and the Secretary of Defense worked over recent years to increase the numbers and capabilities of HUMINT operators in their respective areas of responsibility. More will need to be done in this area. But HUMINT operators are not created overnight.

Over the last 3 years the Department has invested in a number of programs

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to improve intelligence support to the warfighter. New airborne reconnaissance programs, both manned and unmanned, are being procured with new and upgraded sensor suites. The Global information Grid – Bandwidth Expansion, or GIG-BE, is a program to increase bandwidth to allow for the ever-increasing demand of imagery and other intelligence information. The Department is also investing in a new generation of laser communication satellites. DoD has also spent considerable time and funds in architecting and investing in the Distributed Common Ground System or DCGS. DCGS will enable all data to be quickly moved from point of collection to where it needs to be, whether it is collected onboard ship or submarine, aircraft or satellite, it can be made available to anyone who connects into the GIG-BE.

CONCLUSION

I am concerned about our nation's intelligence capabilities. That concern stems not from a lack of confidence in the men and women of the Intelligence Community. They have fashioned important achievements over recent years. Our country owes them a debt of gratitude. It will be a long time, if ever, that many of their achievements are fully and broadly known and appreciated.

DoD and its counterparts in the Intelligence Community are forging, in the crucible of war, a strong, interlocking relationship between intelligence and operations, between national and tactical intelligence, and between foreign and military intelligence. We have worked hard to close the gaps and seams these terms imply. Our people, our budgets, and our activities are closely intertwined. That close relationship between DoD and CIA is a driving cause of shared successes.

My concerns are rooted in the realities of the 21st century. Our Intelligence Community will need to improve to meet the challenges we face, and DoD is ready to work with you to further strengthen our ability to live in this new and dangerous world.